

J E I

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GATT Talks Race The Calendar

When the Reagan administration plotted strategy in 1986 for the impending round of multilateral trade talks that would become known as the Uruguay Round, few officials could have anticipated that the talks would spill over into either the second term of Mr. Reagan's successor or the first term of a third president. However, with the presidential primary season already underway, officials from the United States, the European Community and Japan are beginning to hint at just such a possibility.

The talks, which began in September 1986, were supposed to end four years later. Even though the scheduled 1990 windup in Brussels ended in discord (see *JEI Report* No. 48B, December 21, 1990), as recently as last fall few observers thought that the process could extend into 1993. At that time the director general of the General Agreement on Tariffs and Trade, under whose auspices the negotiations are being held, issued what appeared to be an ultimatum to the negotiating parties: reach an agreement or have one imposed by November (see *JEI Report* No. 37B, October 4, 1991). Like so many other Uruguay Round deadlines, the November date came and went without action from either side.

On December 20, however, the director general, Arthur Dunkel, presented his outline of an agreement. The reaction to the Dunkel draft from nearly all affected parties was lukewarm at best. The Bush administration proved somewhat of an exception; although publicly noncommittal, officials

Negotiators in the current round of talks face yet another deadline, April 15, which Mr. Dunkel has suggested as a date for signing a final document. Increasing numbers of participants see that deadline slipping. A main sticking point — as it has been since the beginning of the Uruguay Round — is agriculture, with the European Community apparently still obdurate about reducing agricultural export subsidies, internal supports and import barriers even to the extent envisaged in the Dunkel text, which calls for less than Washington had wanted. In addition, Tokyo, while supporting many of the agricultural proposals, remains publicly opposed to tariffication, which Brussels generally supports.

The apparent lack of recent progress has led to renewed calls for the personal involvement of top European and American political leaders in the talks. The fear expressed recently by German Economics Minister Jurgen Mollemann and others is that the Uruguay Round could collapse completely if an agreement is not reached within the next few months.

Even if the GATT participants defy the history of the Uruguay Round and somehow meet the April deadline, further calendar-related problems loom. Under existing law Congress is supposed to be notified 90 days prior to its consideration of any agreement. Although fast-track procedures prevent Capitol Hill from amending any GATT accord submitted by the White House, legislators would be able to use the 90-day period, in part, to negotiate with the White House concerning the extent to which existing U.S. laws would require modification. Hence, an agreement in April implies a vote in July at the earliest. With Congress breaking for the political conventions this summer and likely to face a crowded economic agenda in any case, legislators would have little time to consider any GATT accord. Nor does the fall shape up as a very promising time to debate an agreement; Congress typically adjourns well before the November presidential election. Finally, given the high level of partisanship and strong feelings about trade, the path through Congress for a new GATT agreement might well be acrimonious and prolonged. For these reasons the Uruguay Round process, assuming it does not break down completely, may well span three U.S. presidential terms. Depending on Mr. Bush's fate in November, it could involve an equal number of presidents.

Douglas Ostrom

Japanese Worked Up Over Working Hours

While the Japanese justifiably can be proud of their country's status as an economic superpower, few would deny that the price of this achievement has been high in some respects. Japan's reputation as a nation of workaholics increasingly is seen as one of those high costs, and the domestic chorus for change is growing. The government, labor unions, consumers and, most recently, industry advocate cutting average annual working hours to improve the quality of workers' lives, to spur personal spending and to improve labor productivity. Despite this near unanimity of opinion, it is generally agreed that there is little chance of attaining the government's goal of 1,800 average annual work hours by April 1, 1993.

Widespread expectations in the 1970s that prosperity would lead to fewer working hours were fulfilled as the average number of regularly scheduled hours dropped from 2,039 in 1970 to 1,937 by the middle of the decade; average overtime fell from 200 hours to 127 over the same period (see Table 1). By the end of the 1970s, however, workers gave up about one-third of these gains as the economy went through several difficult adjustments. While the average number of regularly scheduled hours drifted lower in the 1980s, rising overtime negated most of the gain. Comparing the years 1980 and 1989 total working hours dropped only 20 hours.

Taking more of an interest in this issue, Tokyo first suggested in 1986 that a cutback in working hours be a higher priority for both government and industry. Besides the obvious step of cutting regularly scheduled hours the Ministries of Labor and International Trade and Industry subsequently recommended several other methods to decrease time on the job, including increasing

Table 1: Working Hours in Japan, 1970-91*

(average hours per year)

<u>Year</u>	<u>Total</u>	<u>Scheduled</u>	<u>Overtime</u>
1970	2,239	2,039	200
1975	2,064	1,937	127
1980	2,108	1,946	162
1981	2,101	1,940	161
1982	2,096	1,939	157
1983	2,098	1,937	161
1984	2,116	1,945	171
1985	2,110	1,932	178
1986	2,102	1,930	172
1987	2,111	1,933	178
1988	2,111	1,922	189
1989	2,088	1,898	190
1990	2,052	1,866	186
1991**	2,022	1,847	175

*Based on Ministry of Labor survey of companies with 30 or more regular workers. Part-time workers are excluded from the survey, as are agricultural and forestry workers and public-sector employees.

**Preliminary.

Source: Ministry of Labor

the number of paid holidays, expanding paid vacation days (and encouraging workers to take them) and limiting overtime (see *JEI Report* No. 11A, March 16, 1990, and No. 23B, June 15, 1990).

The latest Labor Ministry data show that working hours have fallen steadily in the past three years, thanks to declines in both regular and overtime hours. The drop in scheduled hours, however, has been greater than that in overtime, a particularly welcome development since regular hours, being less dependent on the state of the economy, are a more basic indicator of time on the job.

The sectoral distribution of total working hours remained skewed along traditional lines, according to preliminary Labor Ministry data for 1991. The construction, transport and communications sectors, tied at 2,162 hours, topped the ranking, followed by mining (2,148) and manufacturing (2,080). Workers in finance and insurance (1,796) put in the fewest hours in 1991, followed by distribution, retail and food service workers (1,890), other services (1,954), real estate (1,973) and utilities (1,987). Among manufacturing workers, those involved in lumber and wood products continued to log the most hours (2,210 in 1991). This, however, was only 16 hours a month more than the national average; throughout the 1980s the gap had averaged about 20 hours. Workers making transport equipment put in the next highest average (2,173), followed by makers of nonelectric machinery (2,155), manufactured metal products (2,153) and nonferrous metals (2,146). Only employees in the chemicals (1,942), petroleum and coal (1,994), food (2,002) and apparel (2,020) industries put in fewer hours than the 2,022 average.

Data comparing Japan with other advanced industrialized nations, although not as recent, show a gap of about 520 hours, at most, in the manufacturing area (see Table 2). While the financial and public sectors gradually are phasing in a five-day workweek, most Japanese manufacturers still operate on Saturdays, keeping the gap in nonwork weekend days at 19. Japanese workers still enjoy more national holidays than their foreign peers but take less paid leave and fewer days off because of sickness or other reasons.

Table 2: International Comparison of Manufacturing Working Hours, 1989

(in days except for total hours worked)

	<u>Total Hours Worked</u>	<u>Nonwork Weekends</u>	<u>National Holidays</u>	<u>Paid Leave</u>	<u>Other Absence</u>
Japan	2,159	85	20	9	3
United Kingdom	1,989	104	8	24	11
United States	1,957	104	9	19	6
France	1,646	104	8	26	16
West Germany	1,638	104	11	29	11

Source: Ministry of Labor

Japan's poor showing in this international comparison has heightened the average Japanese citizen's awareness that his or her standard of living is not commensurate with the nation's overall economic prowess. Several recent Japanese court cases against employers alleging sudden death due to overwork (called *karoshi* in Japan) have spotlighted growing popular concern with the issue. Jousting over lower working hours also is a major facet of this year's annual wage negotiations (see *JEI Report* No. 6B, February 14, 1992). It likely will remain so for many years given the historical pace of change.

Jon Choy

LDP Explores Possible Compromises On Peacekeeping Bill

Japanese newspaper headlines might lead one to believe that every waking minute of the day Prime Minister Kiichi Miyazawa and senior Liberal Democratic Party officials are engaged in damage control due to the brouhaha over suspected corrupt behavior within the LDP. Although exaggerated, the emphasis underscores the widespread ruling party anxiety. For several weeks the opposition parties have tied up Diet action on the FY 1992 budget and other legislation by hinging participation in hearings to their demands that LDP witnesses be brought before the parliament to testify on various charges of unethical and perhaps illegal behavior. Among the cases opposition members want to examine are the arrest on bribery charges of Fumio Abe, one of Mr. Miyazawa's close associates, as well as the prime minister's relationship with Recruit Co., Ltd. during the mid- and late 1980s (see *JEI Report* No. 7B, February 21, 1992).

The paralysis in the legislature is likely to end soon, since the ruling party has acquiesced to summon as sworn witnesses some of the LDP politicians singled out for questioning by the political opposition. In addition, the opposition parties have agreed among themselves not to hold the budget hostage to the corruption issue too much longer. (Both houses must pass the budget by April 1 for it to become effective by that date, the start of Japan's fiscal year. Passage by the lower house alone would allow the budget to go into effect after 30 days.) The opposition apparently is concerned that these stall tactics may disrupt the business climate and, in turn, make the parties appear irresponsible in the eyes of Japanese voters, who will go to the polls in July to select upper house representatives.

While the ruling and the opposition parties have fought over how to handle allegations of politicians' illegal and/or unethical conduct, the wheels of the policymaking process have continued to roll. Senior LDP politicians and government officials have proceeded with behind-the-scenes discussions with certain members of the political opposition in an effort to craft legislative compromises that can pass the Diet soon after the Abe bribery-related stalemate is broken and the next fiscal year's budget is passed.

Proposal Unveiled To Boost U.S. Automakers' Competitiveness

The chairman of the Senate Finance Committee's subcommittee on international trade announced a plan February 21 intended to give U.S. automotive manufacturers some relief from Japanese competition while the American industry takes steps to improve its competitiveness. In a speech to the Center for National Policy, a Washington, D.C.-based research organization, Sen. Max Baucus (D, Mont.) characterized his proposal as offering "short-term import relief in return for a commitment to build a more competitive industry and produce better products." Although the Montana Democrat presents his proposal as a more viable alternative to other congressional initiatives aimed at addressing the problems of the U.S. automotive industry, observers question how much support the measure can garner from both Washington and Detroit. Yet in light of Detroit's record losses in 1991 and General Motors Corp.'s December announcement that 74,000 jobs would be eliminated in the next few years, business and government leaders are certain to be searching for ways to help the Big Three U.S. motor vehicle makers compete.

In his speech Sen. Baucus indicated that he is open to further discussion of the specifics of his proposal, which he reportedly intends to introduce by mid-March. As outlined, the plan calls on Washington and Tokyo to negotiate a standstill agreement that would limit the sale of imported and domestically made Japanese cars and light vehicles to 1991 levels, which Mr. Baucus calculated as about 3.6 million units, comprising approximately 1.6 million produced here and 2 million imported from Japan (see Table). The proposal calls for Washington to impose tariffs on imported vehicles if a voluntary restraint arrangement cannot be negotiated. Vehicles with more than 70 percent North American content would be considered domestic and therefore would be excluded from the limit. Currently Japanese automotive manufacturers are operating under a VRA that keeps imports below 2.3 million units, a level that has been retained by the Japanese since it was negotiated for FY 1986 (see JEI Report No. 5B, February 7, 1992).

In exchange for protection U.S. automotive manufacturers would have to demonstrate improvements in: the quality of their product, production efficiency and customer service. The standards used to measure these objectives would be those established by the Department of Commerce for the Malcolm Baldrige National Quality Award. The proposal also calls for executive compensation in the motor vehicle industry to be brought into line with the international norm.

To ensure that the industry is keeping up its side of the bargain the International Trade Commission, in consultation with the White House and Congress, would review the VRA every two years. The measure would give the ITC authority to recommend three courses of action: elimination of the restraint arrangement if the American industry is not making progress as measured by the quality criteria; adjustment of the quota level in response to shifts in American demand (the effect on consumers would be a factor in revising the limits); and an increase in the shipment ceiling on a one-to-one basis if American car and light truck exports to Japan rise. Recommendations made by the ITC would take effect automatically unless vetoed by a joint congressional resolution; the president, in turn, could veto the joint resolution.

Sen. Baucus suggested that the program not extend beyond seven years. He noted that one goal of the measure is to have an American automotive industry that is fully competitive internationally within this period. His proposal would encourage the Big Three to continue investing in American production facilities and in worker training programs. The plan also would promote joint research and development, the Montana Democrat said.

Sen. Baucus often has fought against alleged Japanese barriers to trade, but he is considered an advocate of free trade and has sought domestic answers to this country's competitiveness problems. In unveiling this proposal he asserted that the U.S. government needs to "find a better way to do its job" of helping American industry compete and asked rhetorically why Washington cannot do this "in a way that encourages [the industry] to become more competitive, instead of falling further behind."

U.S. Retail Sales of Japanese Cars and Light Trucks, 1991

(in units)

<u>Cars</u>	
Imported/Japanese-Badged	1,347,446
Imported/Big Three-Badged	156,592
Total	1,504,038
Domestic/Japanese-Badged	1,124,401
Domestic/Big Three-Badged	241,062
Total	1,365,463
Imported and Domestic/Japanese-Badged	2,471,847
Imported and Domestic/Big Three-Badged	397,654
Total	2,869,501
<u>Light Trucks</u>	
Imported/Japanese-Badged	491,085
Imported/Big Three-Badged	4,671
Total	495,756
Domestic/Japanese-Badged	201,839
Domestic/Big Three-Badged	30,702
Total	232,541
Imported and Domestic/Japanese-Badged	692,924
Imported and Domestic/Big Three-Badged	35,373
Total	728,297
<u>Cars and Light Trucks</u>	
Imported and Domestic/Japanese-Badged	3,164,771
Imported and Domestic/Big Three-Badged	433,027
Total	3,597,798
Of which:	
Imported	1,999,794
Domestic	1,598,004

Source: *Automotive News*

Some industry requests for protection "will be politically impossible to resist," Sen. Baucus said, adding that budget constraints make conditioned import relief "one of the few tools the U.S. government can use to promote competitiveness." Because an industry's request for protection entails costs for American consumers, Sen. Baucus asserted that this country "has the right to demand a return on its investment."

The Montana Democrat claims that the conditions imposed by his plan move the current restrictions on Japan's U.S.-bound car shipments beyond being of benefit only to U.S. automotive manufacturers and their shareholders and result in incentives for new investments in the industry. During much of the 1980s, he said during his speech, Detroit "squandered the relief" provided by Tokyo's restraints on car exports to this country.

Sen. Baucus has framed his proposal as an alternative to the Trade Enhancement Act of 1992. That measure, introduced in late January in their respective chambers by House Majority Leader

Richard Gephardt (D, Mo.) and Sen. Donald Riegle (D, Mich.), would require the administration to limit U.S. sales of domestically made and imported Japanese cars and light trucks to 1991 levels if Japan does not reduce its trade imbalance with the United States by 20 percent a year for the next five years (see *JEI Report* No. 2B, January 17, 1992). The automotive industry has shown more enthusiasm for the Gephardt-Riegle proposal than for the Baucus measure. Fear of micromanagement of the industry is said to be one concern. Observers also note that Sen. Baucus' suggestions regarding executive salaries and quality review by Washington are hardly likely to be welcomed in Detroit. A spokesperson for General Motors indicated that the company would rather address trade issues in "ongoing negotiations at the government and industry levels."

Although Sen. Baucus contends that stricter limits on Japanese automotive producers are "likely, given the political currents, Americans worried about jobs, [and the] election year," others on Capitol Hill are less confident that Congress will pass such legislation this year. Congressional observers note that Sen. Baucus' measure would be certain to run into resistance in the House. Reps. Dan Rostenkowski (D, Ill.) and Sam Gibbons (D, Fla.), the chairmen, respectively, of the Committee on Ways and Means and its subcommittee on trade, are considered opponents of restraint arrangements. A number of Washington watchers have said that the chance of Congress passing such restrictive legislation this session hinges on the extent to which Japan follows through on the pledges announced during President Bush's January trip to Tokyo to increase purchases of cars and automotive parts (see *JEI Report* No. 2B, January 17, 1992).

Some on Capitol Hill have suggested giving the U.S. economy and the American automotive industry a boost by increasing the tariffs on certain sports-utility vehicles. Additionally, several lawmakers have attempted in recent weeks to tackle the question of what makes a car or truck domestic by introducing legislation requiring automotive manufacturers to identify where each vehicle is assembled as well as the percentage of North American parts and labor incorporated in the product. An aide to the sponsor of one such bill noted that in view of the ongoing Buy American debate in this country, consumers need to be better educated about product origins. One problem is that the United States and Canada do not agree on what constitutes North American content, further complicating Washington's unilateral adoption of a definition. Sen. Baucus reportedly has not settled on a means of calculating the 70 percent domestic content threshold described in his proposal.

The Japanese government was quick to characterize Sen. Baucus' plan as "managed trade," which would violate both multilateral trade rules and bilateral agreements. For its part the Bush administration has warned that it will veto any protectionist legislation. The White House is expected to oppose the Baucus measure. Aides to Sen. Baucus say that they do not foresee any immediate trade subcommittee hearings on the proposal.

Margo Grimm

Notes

Japan-U.S. Business Council - A change of scene from the usual Hawaii venue for the board of directors meeting of the Tokyo-based Japan-U.S. Business Council and the Washington, D.C.-based U.S.-Japan Business Council reflected a heightened sensitivity to bilateral relations. Held in Washington February 16-18, the meeting brought together 32 top Japanese and American business executives. In agreeing to continue to work together to reduce the bilateral trade imbalance, the businessmen urged Tokyo to "initiate an import vision" and Washington to "initiate an export vision, with special emphasis on Japan." The call for both governments to make trade a national priority raised questions among some participants about whether the recommendation amounted to a call for managed trade. Although the corporate leaders did not specify what was meant by the import or export visions, the press release from the board meeting suggested that the private sectors in Japan and the United States expected more government involvement in bilateral economic relations.